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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
127214	MEMO	ARTHUR CULVAHOUSE TO WILLIAM LYTTON RE MCFARLANE TESTIMONY DOCUMENT PENDING REVIEW IN ACCORDANCE WITH E.O. 13233	3	7/13/1987	
127250	MEMO	LYTTON TO CULVAHOUSE RE ANTICIPATED TESTIMONY OF ADM POINDEXTER R 10/28/2010 NLSF97-066/6 #43	11	7/13/1987	B1
127251	MEMO	LYTTON TO CULVAHOUSE RE 7/30/87 TESTIMONY OF DONALD REGAN R 2/2/2012 F1997-066/6	3	7/30/1987	B1
127252	MEMO	LYTTON TO CULVAHOUSE RE ANTICIPATED TESTIMONY OF REGAN R 10/28/2010 NLSF97-066/6 #45	2	7/28/1987	B1

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WITHDRAWAL SHEET

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File Folder: Iran-Contra Hearings – June [May-November 1987] (2)

Date: 08/18/2004

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Arthur B. Culvahouse to William Lytton re McFarlane testimony, 3p [Item is still under review under the provisions of EO 13233]	7/13/87	
2. memo	Lytton to Culvahouse re anticipated testimony of Adm. John Poindexter, 11p R 10/28/10 F97-066/6 #43	7/13/87	B1
3. memo	Lytton to Culvahouse re 7/30/87 testimony of Donald Regan, 3p R 2/2/12 F97-066/6 #127251	7/30/87	B1
4. memo	Lytton to Culvahouse re anticipated testimony of Regan, 2p R 10/28/10 F97-066/6 #45	7/28/87	B1

RESTRICTIONS

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B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].

B-7a Release could reasonably be expected to interfere with enforcement proceedings [(b)(7)(A) of the FOIA].

B-7b Release would deprive an individual of the right to a fair trial or impartial adjudication [(b)(7)(B) of the FOIA].

B-7c Release could reasonably be expected to cause unwarranted invasion or privacy [(b)(7)(C) of the FOIA].

B-7d Release could reasonably be expected to disclose the identity of a confidential source [(b)(7)(D) of the FOIA].

B-7e Release would disclose techniques or procedures for law enforcement investigations or prosecutions or would disclose guidelines which could reasonably be expected to risk circumvention of the law [(b)(7)(E) of the FOIA].

B-7f Release could reasonably be expected to endanger the life or physical safety of any individual [(b)(7)(F) of the FOIA].

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].

THE WHITE HOUSE
WASHINGTON

July 14, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Testimony of Robert McFarlane

Attached is a memorandum prepared by Counsel's office indicating the possible issues of address by Robert McFarlane's at his reappearance at the Iran/Contra hearings. Mr. McFarlane is being recalled, at his request, in order to clarify his statements during his prior testimony at the hearings on May 11-14. Mr. McFarlane is expected to begin testifying on Wednesday morning, July 15, immediately following LtCol Oliver North.

Attachment

THE WHITE HOUSE
WASHINGTON

July 13, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: WILLIAM B. LYTTON III *W*
SUBJECT: MCFARLANE TESTIMONY

This memorandum highlights those issues expected to be addressed during tomorrow's hearings of the Select Committees when Robert C. McFarlane, at his request, is recalled to follow the appearance of LtCol Oliver North. Though McFarlane could speak on any of a number of issues, he will most likely attempt to clarify discrepancies between his earlier testimony and that of North on Contra aid, the Iran initiative, and post-disclosure activities. Specifically, McFarlane may wish to describe in detail the guidelines he gave North in approaching Third Countries and private benefactors given the Boland Amendment restrictions. In addition, McFarlane may also wish to clarify his prior testimony concerning the May 1986 trip to Tehran. Finally, McFarlane may wish to again describe his participation in the preparation of the November 1986 chronologies and to underscore his recollection of events during the November 21-25 time frame.

I. Contra aid

McFarlane may want to clear the air on what instructions he gave North and with what frequency North briefed him on North's activities. McFarlane has testified that after passage of the October 1984 Boland Amendment the President directed him to help the Contras "hold body and soul together" (McFarlane's term) until the Congress would again agree to support them. Further, McFarlane testified that to carry out the President's wishes, he relied on Donald Fortier and North. McFarlane said he told North that he [North] was to serve as a "visible sign" of the President's strong personal support and help the Contras in their efforts to become a "real political movement". According to McFarlane, he stressed to his staff that they were to operate "at all times within the law, and that in particular we were not to solicit, encourage, coerce or otherwise broker financial

contributions to the Contras." Indeed, McFarlane testified that he did not know North was involved with Spitz Channell or Richard Miller. Also, he denied giving North authority to approach third countries.

In contrast, North testified that he always kept his superiors fully informed of his activities. Specifically, North said that McFarlane knew he (North) had established an operational account for the Contras which contained traveller's checks from Adolfo Calero and cash from Richard Secord's "enterprise". More generally, North asserted that McFarlane was regularly briefed on his resupply efforts and on his association with Secord.

II. Letters Prepared for Congressmen Hamilton and Barnes

McFarlane may want to challenge North's testimony that he was instructed by McFarlane to alter documents used in preparing responses to inquiries levied by the Congressmen. McFarlane testified that he told North at the time of Congressman Barnes' investigation, that it was inappropriate to alter six NSC file documents to reflect what North "actually" intended to express. North testified, however, that he altered documents in completing his NSC work, pursuant to outstanding McFarlane instructions, in the days before he was relieved of duty.

III. May 1986 Tehran Trip

The respective testimonies of McFarlane and North are inconsistent on whether North was authorized to allow the second plane load of arms to leave Tel Aviv for Tehran. McFarlane has testified that North committed an act of insubordination in giving the take-off order without McFarlane's knowledge. According to McFarlane, North woke him after the plane was airborne, forcing him to order North to turn the plane around. On the contrary. North testified that he gave the order pursuant to a plan agreed to by Poindexter and McFarlane.

IV. November 1986 Chronologies

McFarlane may want to recount his participation in the preparation of the November chronologies. McFarlane has testified that he genuinely did not remember in November 1986 that the November 1985 shipment from Israel to Tehran contained HAWKs rather than oil-drilling equipment. In contrast, North testified that McFarlane led the effort to falsify the November chronologies.

V. Post-Disclosure Activities

McFarlane may want to expound on his series of conversations with North over the November 21-25 time frame, including their car ride from Michael Ledeen's house on the 21st and their meeting on the 23rd before North met with the Attorney General.

VI. "Plausible Deniability"

McFarlane has testified that "deniability" was not built into the Iran initiative. In contrast, North has testified that he (North) was designated the "fall guy" in the event the initiative was disclosed and that McFarlane knew of this.

VII. Bipartisanship, etc.

Given the number of disparaging statements North has made towards the Congress, McFarlane may want to underscore the need for bipartisanship in the development of foreign policy and greater Executive-Legislative cooperation.

THE WHITE HOUSE

WASHINGTON

HAB

July 14, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Testimony of LtCol Oliver North
Tuesday Morning, July 14, 1987

Attached is a summary prepared by Counsel's Office of the testimony of LtCol Oliver North at this morning's session of the Iran/Contra hearings.

Attachment

THE WHITE HOUSE

WASHINGTON

July 14, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE JR.

FROM: WILLIAM B. LYTTON III *W*

SUBJECT: TESTIMONY OF LTCOL NORTH
JULY 14, 1987 (MORNING SESSION)

I. Overview

After a protracted debate, the Committee permitted LtCol North to give a presentation demonstrating the danger of Soviet influence in the Western Hemisphere and the importance of supporting the Nicaraguan Freedom Fighters. This was apparently a version of the presentation which North gave on many occasions to potential contributors to "Spitz" Channell's organization or other groups.

Representative Courter noted that at times members of Congress have threatened to leak classified information in order to frustrate some planned activity relating to the President's foreign policy. North described how leaks by members of Congress before the U.S. raid on Libya may have contributed to the very high volume of anti-aircraft fire faced by U.S. pilots during that raid.

Senator McClure suggested that Israel contrived to get and keep the U.S. involved in arms sales to Iran to further its own interests in the continuation of the war between Iran and Iraq and in providing weapons to Iran which would destroy Iraqi armored vehicles.

Rep. Stokes asserted that the concept of "plausible deniability" no longer has any validity in the era following the Church and Pike Committees' investigation of the mid-1970's which led to the requirements that covert operations be supported by Presidential findings and that Congress be notified appropriately.

Senator Nunn asked several questions about specific conflicts between North's and McFarlane's testimony. North testified that he enjoyed authorization for several specific acts which McFarlane has denied having authorized, including travelling to Miami in July 1985 to meet Adolfo Calero, telling

Ambassador Tambs to open a southern front, requesting General Secord to become involved in the Contra airlift operation, and giving speeches in connection with "Spitz" Channell's fundraising.

Nunn also asked North whether Ghorbanifar, in an effort to stimulate North's interest in arms sales to Iran, had offered incentives other than the use of residuals from these sales for the Contras. North stated that Ghorbanifar had offered him a \$1 million bribe which he refused. North did not report Ghorbanifar's offer to anyone.

II. The President's Involvement

A. Diversion

North testified that, after a period of discouragement, he became enthused about continuing the Iran initiative because of two proposals made in early 1986: that residual profits be used to fund the Contras and that a meeting take place with Iranian officials in February. Senator Nunn stated that Poindexter had an "imperative obligation" to convey to the President the reasons North felt the initiative should be pursued in view of the fact that those were not the same goals stated in the finding which originally authorized the sale of arms to Iran.

B. Boland Amendment

Nothing to report.

C. Iran Operation

Nothing to report.

D. Third Country Aid to Contras

Nothing to report.

E. Private Support to Contras

Nothing to report.

III. Continuation of Hearing

North's testimony will resume at 2:00 p.m.

UNCLASSIFIED WITH TOP SECRET ATTACHMENT

THE WHITE HOUSE
WASHINGTON

AB

July 13, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Anticipated Testimony
of Vice Admiral John Poindexter

Attached is an in-depth summary prepared by Counsel's office of the anticipated testimony of Admiral Poindexter. Admiral Poindexter is expected to testify in public session beginning on Wednesday, July 15.

Attachment

UNCLASSIFIED WITH TOP SECRET ATTACHMENT

THE WHITE HOUSE

WASHINGTON

July 13, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: WILLIAM B. LYTTON III *W*

SUBJECT: ANTICIPATED TESTIMONY OF
ADMIRAL JOHN M. POINDEXTER

I. Introduction

Admiral Poindexter, a career Naval Officer who graduated first in his Naval Academy class in 1958, began his tenure at the NSC in June 1981 as military aide to National Security Advisor Richard Allen. He succeeded McFarlane as National Security Advisor to the President in December 1985, having served as McFarlane's principal deputy since the latter's elevation to that post in October 1983.¹ His role in the Iran/Contra matter was pivotal. Aside from the issue of Presidential knowledge, the congressional inquiry will focus on 1) his participation in the Iran arms sales, and the diversion to the Contras (and for other operations) of the proceeds therefrom; 2) his knowledge of NSC solicitation of private and third country funds for support of the Contras; 3) his supervision of LtCol North's operational activities in support of the Contras, as well as other policy initiatives; and 4) his role in the period prior to and following exposure of the Contra diversion.

II. Iranian Arms Sales/Diversion

On November 24, 1986, the date that he resigned as NSC advisor, Admiral Poindexter was asked by Attorney General Edwin Meese if he had been aware of a diversion to the Contras of proceeds from the arms sales to the Iranians. He responded that North had given him, according to Meese, "enough hints that he knew what was going on but he didn't want to look further into it."² The evidence available supports something more than this admission to Meese. Aside from North's testimony, however, the

¹ New York Times (January 12, 1987) at A-6.

² Meese Tower Board Tr. 40.

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documentary evidence does not conclusively demonstrate that North gave him much more than "hints" about diversion.

A. January - February 1986

LtCol North told Meese on November 23, 1986, that the diversion concept "came out of a discussion...early in January" with Amiran Nir, at that time an advisor on Terrorism to the Prime Minister of Israel.³ North has testified that the idea came from the arms dealer Manucher Ghorbanifar, and that he passed it on, first to DCI William Casey then to Poindexter, both of whom endorsed it.

North told Meese that \$3-4 million in proceeds were diverted to the Contras from the February 1986 arms transaction.⁴ Secord has testified that some \$2.6 million surplus was generated by this transaction. He also stated that "North's position [had been] consistent throughout in February [1986] and later that he wanted me to use all available surpluses to support the Contra project."⁵ We have seen no documentary evidence to corroborate North's testimony that Poindexter was directly told in advance by North that such a diversion would occur. However, North's correspondence with Poindexter in mid-January 1986 sets forth the proposed financing of the February 1986 transaction and shows over \$7 million in excess funds without setting forth to what use these excess funds would be put. And a memorandum from North to Poindexter later in the month setting forth the operational mechanics of the proposed transaction revealed enough information to enable its reader to deduce, assuming that the Iranians were to be charged the same price for each of the 1000 TOWs being sold as that North had stipulated in his prior correspondence with Poindexter, that the transaction would generate a maximum of \$4 million in excess funds. Again, the application of this \$4 million--ostensibly to remain in the Swiss bank account of General Secord--was left unstated. This same memorandum went on to describe a follow-on sale of 3000 TOWs which, assuming the same price, would generate more than \$8 million in excess funds, with no accounting of the application thereof.⁶ On February 18, 1986, North in a formal memorandum

³ Id. at 35.

⁴ Notes of John Richardson on interview of North (November 23, 1986).

⁵ Joint Cong. Hearings Tr. (May 6, 1987) 66-68.

⁶ Bates # 1201.

⁷ Memorandum (North to Poindexter, January 24, 1986).

briefed Poindexter on the successful conclusion of the transaction without any mention of diversion.⁸

B. April - May 1986

On April 7, 1986, North sent a note to former NSC advisor Robert McFarlane mentioning that at Poindexter's request, he had "prepared a paper for our boss" which contained the plans for the upcoming McFarlane mission to Iran. North suggested that McFarlane read it. A document fitting this description was found by Justice Department officials in North's files. A copy of the same document was found in the files of Poindexter's secretary with a note attached to it from Poindexter instructing his secretary to file it. Entitled "Release of American Hostages In Beirut," the undated memorandum (hereinafter, "Undated Memorandum") lists neither its author nor its intended recipient. Attached to it is a set of talking points for the proposed McFarlane mission to Iran. Explicit mention is made on the last page of the document (excluding its attachment) that \$12 million of the "residual funds from this transaction...will be used to purchase...supplies for the Nicaraguan Resistance Forces." On the same page there is a sentence recommending that Poindexter secure approval from the President but only for matters raised in a section of the memorandum which did not mention diversion. The memorandum did not suggest that Presidential approval for the diversion be obtained. North told Meese on November 23, 1986, with respect to the Undated Memorandum that "he didn't think it had gone any place."¹⁰ North also asked Meese whether he had found a cover sheet to that memorandum. Meese responded in the negative and asked North whether he should have, to which North said "No." North testified that he sent at least five such memoranda up to Poindexter mentioning the use of residuals. He also testified that he attempted to shred those of them remaining in his files before leaving the NSC, believed he had done so, and could not recall whether any of them had been annotated by Poindexter in such a manner as to indicate Presidential approval.

On May 1, 1986, according to a PROFS note sent the following day by Poindexter to Fortier (with copies to a host of other NSC personnel, including North), Poindexter met in Bali (on the way to Japan) with the President who said at the outset of their meeting that he was "really serious" about aiding the Contras, that he wanted to "figure out a way to take action uni-laterally" to provide them aid if the Congress did not approve aid by June 9, 1986, and that he was ready to "confront

⁸ Memorandum (North to Poindexter, February 13, 1986).

⁹ Bates # 3891.

¹⁰ Meese Tower Board Tr. 35A.

the Congress" on¹¹ the Constitutional question of "who controls foreign policy."

After meeting with the Iranian intermediary Ghorbanifar in London in early May 1986, North by PROFS note dated May 9, 1986, advised Poindexter of the arrangements he had successfully negotiated in London for a May 1986 arms transaction.¹² In marked contrast to the operational timeline he submitted to Poindexter before the February transaction, North completely omitted any mention of the financing of the transaction. Poindexter, however, had been advised sometime on or after May 9, 1986, that the amount the Iranians were going to pay Ghorbanifar was \$20.5 million.¹³

This transaction was negotiated during a time of dire need for the Contras. The President himself, after being briefed on the Contras' financial problems at a National Security Planning Group ("NSPG") meeting on May 16, 1986, commented that "the only hope" for a peaceful settlement in Central America was "if the Contras are a viable force." The President went on to ask whether "the private groups¹⁴ who pay for ads for the Contras" could "do more than ads."

The financing of the May 1986 transaction began with the deposit on May 14, 1986, by Adnan Khashoggi of \$15 million into General Secord's Swiss account (for "Lake Resources").¹⁵ North informed Poindexter by means of a PROFS note dated May 16, 1986, that the Nicaraguan Resistance "now has more than \$6M available for immediate disbursement" reducing "the need to go to third countries for help."¹⁶ North added that "we will have a considerable amount in a few more days," without identifying a source. In testimony, North has acknowledged that the source of these funds was revenues from the May 1986 arms sale to the Iranians.

North submitted a memorandum dated May 22, 1986, to Poindexter giving a thorough description of the operational

¹¹Bates # 8725.

¹²Bates # 9177.

¹³Cave Tower Board (codeword) Tr. 9-10.

¹⁴Minutes of May 16, 1986, NSPG meeting.

¹⁵Ghorbanifar Tower Board Tr. 155-156.

¹⁶Bates # 9183. Secord testified that this May 1986 transaction generated a surplus of approximately \$6.5 million. Joint Cong. Hearings Tr. (May 6, 1987) 90, 96.

details of the upcoming McFarlane mission to Iran including the movement of the arms being sold. An attachment to this memorandum was the same document containing the talking points for the McFarlane mission which had earlier been dated April 4, 1986, and attached as part of the Undated Memorandum. Conspicuously missing from the May 22, 1986, memorandum (as compared with the earlier memoranda that North had sent to Poindexter on the arms transaction arrangements) is any mention of financing except for a tasking of the Israelis to provide "funding for TOWs."¹⁷

Poindexter remained in communication with the McFarlane mission during its failed trip to Iran.¹⁸ When, on May 29, 1986, the McFarlane team (McFarlane, North, Howard Teicher) reported to the President on their trip (in Poindexter's presence), available evidence indicates that no mention of surplus funds or a diversion was made.¹⁹ North has testified generally that he never heard residuals discussed with the President.

C. June - September 1986

At the end of June 1986, Congress authorized \$100 million for the Contras, thus relieving their financial pressures.²⁰ But the Iranian intermediary Ghorbanifar still owed more than \$15 million and was "under threat of death from his creditors." The Iranian government reportedly paid him \$4 million on July 24, 1986, in "partial payment" for the HAWK missile parts removed from the McFarlane mission's aircraft in Tehran.²¹ Apparently as a result of Ghorbanifar's pressure on his Tehran contact to get the Iranians to "come forward with a humanitarian gesture", a hostage (Lawrence Jenco) was released on July 29, 1986.²² The very next day, Poindexter briefed the President and secured his approval for sending the remaining HAWK parts to Iran.²³

¹⁷ Memorandum (North to Poindexter, May 22, 1986).

¹⁸ Joint Cong. Hearings (May 6, 1987) Tr. 75-77.

¹⁹ Notes of Rodney McDaniel (May 29, 1986); McFarlane Tower Board Tr. (December 11, 1986) 44-45.

²⁰ Tower Board Report at B-125.

²¹ Memorandum (North to Poindexter, July 26, 1986) at Tab I.

²² Ghorbanifar Tower Board Tr. 122, 176, 178.

²³ Memorandum (North to Poindexter, July 29, 1986) (annotated by Poindexter).

The Iranians, upon inspecting the shipment of the remaining HAWK parts, declared that some items received were defective and others were missing. Then, upon consulting a 1985 manufacturer's price list, the Iranians learned that they had been overcharged for the HAWK spare parts, for example, by 500% in the case of at least one item.²⁴ Ghorbanifar prevailed upon them to pay \$4-5²⁵ million more for the parts they received that were acceptable.

Poindexter met with North on the evening of September 9, 1986, and instructed him that the "new channel" to Iran would be pursued. Earlier that day, Poindexter had briefed the President on this "new channel" that had been developed through General Secord. Poindexter told North during the evening meeting that Ghorbanifar was to be "cut out" as a future intermediary. North told Allen that he (North)²⁶ was tasked with raising a minimum of \$4 million to cut him out.

North conducted meetings in Washington over a weekend in mid-September 1986 with Secord's contact on the "new channel", who was the relative ("Relative") of a very senior Iranian figure. Since the Relative had asked for time to see how his discussions in Tehran would go, North told Poindexter by PROFS note dated September 22, 1986, that the decision had been made "to stall" on the old channel. Four days later, North advised Poindexter that the Relative had deposited \$7 million in the "numbered Swiss account we gave him last week."²⁷ North has testified that this transaction also resulted in residuals for the Contras.

D. October - November 1986

In October, the Iranian initiative began to unravel. The old channel that the NSC was shutting down was described by Charles Allen of CIA as "a running sore."²⁸ While strides were being made in arranging a transaction in the new channel, North, on October 2, 1986, advised Poindexter that Secord should be instructed in his upcoming meeting with Nir to tell him that, owing to "repetitive financial...difficulties" with Ghorbanifar and suspicions that his Tehran contact was instrumental in the

²⁴ Ghorbanifar Tower Board Tr. 178-180.

²⁵ Id. at 183; Allen Tower Board Tr. (codeword - December 30, 1986) 27.

²⁶ Memorandum (Allen to Casey, September 10, 1986); Notes of Rodney McDaniel (September 9, 1986).

²⁷ Bates #'s 3613, 9226, 976, 5586.

²⁸ Allen Tower Board Tr. (codeword - December 30, 1986) 30.

seizure of the second new hostage in Beirut, the U.S. would "not proceed"²⁸ along the Ghorbanifar channel "until we resolve these issues."²⁹ On October 10, 1986, North informed Poindexter that the latest proposal of the Relative involved, among other things, two Iranian payments of \$3.6 million each.³⁰

Meanwhile, on October 7, 1986, DCI Casey met with a friend, arms merchant Roy Furmark, who told him that "some Canadian investors" whom Khashoggi had gotten to invest \$15 million on May 15, 1986, in "Lake Resources" on a loan which was repayable in 30 days "have been waiting five months for their money and are very close to doing something" to recover it.³¹ Casey met with Poindexter about this on October 15, 1986, and Poindexter promised to "look into it."³²

While the last arms sale to Iran was being carried out (now through the "new channel"), and one day after the hostage Jacobsen was released on November 2, 1986, an account of McFarlane's May 1986 trip to Tehran appeared in a Beirut magazine.³³ On November 6, 1986, Donald Regan and Poindexter reportedly engaged in a "shouting match" in front of the President in the Oval Office, with Regan demanding that details on the Iran initiative be made public and Poindexter insisting that all be kept secret.³⁴ This same day, Poindexter met with DDCI Gates and DCI Casey. The latter advised him to "have the White House counsel look at the thing," to which Poindexter responded: "I don't trust [White House Counsel Wallison] to keep this quiet."³⁵ North has testified that both Casey and Poindexter were fully apprised of his expenditures of residuals on the Contras. It is unclear, however, whether Poindexter knew that Casey knew.

After learning on November 22 and 23, 1986, that there had been a diversion to the Contras, Meese met with the President and Donald Regan a little after 11:00 a.m. on November 24, 1986, and

²⁹ Memorandum (North to Poindexter, October 2, 1986) Tab IV (emphasis in original).

³⁰ Bates # 984.

³¹ Memorandum (Casey to C/NE, October 8, 1986).

³² Allen Tower Board Tr. (codeword - December 30, 1986) 32.

³³ Ghorbanifar Tower Board Tr. 186; Bates #'s 2291, 8793.

³⁴ Washington Post (November 13, 1986) at A-1.

³⁵ Gates Senate Committee on Intelligence (December 4, 1986) Tr. 102-103.

informed them about the "money going to the Contras."³⁶ That afternoon, Meese "grabbed" Poindexter and asked if he had been aware of the diversion. As stated above, Poindexter talked of the "hints" he had gotten from North. He also admitted that he "in fact did generally know" of the diversion. In a comment that could be read as corroborative of North's testimony about Casey's "fall guy" plan, Poindexter further told Meese that he knew that when the issue "surfaced" that he was "going to have to resign." Poindexter also stated that no one else knew about the diversion, and specifically that he "had not reported it to the President or Don Regan."³⁷

The next morning (November 25, 1986), Donald Regan told Poindexter that Meese had informed the President of North's involvement with Contra funding, and asked him: "What the hell happened?" Poindexter responded that he had "had a feeling that something bad was going on," but "didn't investigate it" and "didn't do a thing about it." Poindexter added that he was "so damned mad at Tip O'Neill for the way he was dragging the Contras around" that he "didn't want to know what, if anything, was going on." He admitted that he "should have, but...didn't." Regan then told Poindexter that he had better have his resignation with him at his regular morning meeting with the President.³⁸ Poindexter resigned at that 9:30 a.m. meeting. The Vice President was present in the Oval Office when he heard Poindexter admit to the President that he, Poindexter, had not told the President about the diversion. Later in the day, the President and Meese conducted the press conference during which the possibility of a Contra diversion was announced.

III. Fundraising for the Contras

A. From Third Countries

McFarlane testified that he informed Poindexter about the Saudi decision to assist the Contras, but there has been no evidence that Poindexter played an active role in inducing that contribution. Poindexter will likely be asked to provide his understanding of the events surrounding the Saudi contribution, particularly regarding who in the Administration knew about the

³⁶ Meese Tower Board Tr. 39.

³⁷ Meese Tower Board Tr. 40, 47.

³⁸ Regan Tower Board Tr. 57-58.

³⁹ Memorandum (McFadden to File, December 29, 1986) (AOD 1064) at 1.

Saudi role and whether the Saudis asked for, or were offered, any quid pro quos.

Poindexter played a larger role in the solicitation of Brunei. He asked Secretary Shultz at the conclusion of a May 1986 NSPG meeting to prepare a list of countries that might be solicited under the provision in the FY-86 Intelligence Authorization Act that recognized State Department authority to solicit humanitarian assistance. When North later expressed concern that State Department involvement would "bifurcate the efforts" that previously had induced Saudi and Taiwanese contributions, Poindexter apparently asked McFarlane to inform Shultz, for the first time, about these efforts.

B. From Private Benefactors

Little is known about Poindexter's involvement in North's private fund-raising network. There is no evidence that Poindexter was directly involved in direct solicitation of U.S. citizens or that he had any direct involvement with Spitz Channell or Richard Miller. In fact, when North recommended that Poindexter accompany the President in a January 30, 1986 drop-by briefing for Spitz Channell's National Endowment for the Preservation of Liberty and American Conservative Trust, Poindexter declined.

Aside from North's testimony, there is documentary evidence that Poindexter was aware of North's activities. In a May 16, 1986 PROFS note, North stated:

I have no idea what Don Regan does or does not know re my private U.S. operation but the President obviously knows why he has been meeting with several select people to thank them for their "support for Democracy" in Cent Am.

Poindexter replied on the same day that "Don Regan knows very little of your operation and that is just as well."

IV. Involvement in North's Operational Activities

LtCol North conducted an array of operational activities for which his authority is in question. To cite just a few, he engaged in tactical discussions with Contra leader Adolfo Calero on attacking Soviet-made helicopters in Nicaragua and on the interdiction of weapons shipments to the Sandinistas. He provided Calero with tactical maps and intelligence, and facilitated disbursements of funds to other Contra leaders. He oversaw the clandestine aerial Contra resupply effort and supplied classified encryption devices (KL-43s) to personnel involved in that effort. And he purchased the "Erria," a ship which was reportedly used to facilitate a U.S. hostage release attempt and agit/prop operations planned against Libya.

Poindexter's role in all this is opaque. Clearly North kept him advised to some extent. On November 22, 1985, for example, in informing Poindexter that a Secord aircraft would be used in the Israeli shipment of arms to Iran, he regretted how this would delay "our first direct flight [delivering ammunition] to the resistance field...inside Nicaragua." And on other occasions, the documents show Poindexter's direct involvement in such matters as his proposal to McFarlane on interdiction of a seaborne shipment of arms to the Sandinistas brought to his attention in February 1985 by North. In the main, however, Poindexter's participation in and authorization for North's operational activities are not well-documented and will surely be a topic of examination.

V. Poindexter's Role in the Period Prior to and Following Exposure of the Diversion

A. Preparation of NSC Chronologies

Sometime in mid-November 1986, Poindexter tasked North with putting together an accurate chronology of the events of the Iranian initiative. The Tower Report and subsequent testimony have established McFarlane's key role in changing the chronologies to blur the President's association with the arms sales. Poindexter was the official who requested McFarlane to review the chronologies being prepared by North, Earl, Coy and Teicher for accuracy. Although Poindexter is known to have received McFarlane's recommended changes to the chronologies (as well as to the draft opening statement for the President's November 19, 1986 news conference), there is little to establish Poindexter's actual involvement in the writing or editing of the chronologies.

B. Preparation of DCI Casey's November Testimony

On November 20, 1986, a meeting was held in the West Wing to prepare DCI Casey for his testimony the next day before the Congressional Intelligence Committees and to prepare Poindexter for his briefing of those Committees. Present at the meeting were North, Casey, Poindexter, Attorney General Meese, Assistant Attorney General Cooper, NSC General Counsel Paul Thompson and an aide to Casey (perhaps Robert Gates). The participants worked from an NSC "chronology," a draft of Casey's proposed testimony and an insert entitled "CIA Airline Involvement." The insert originally read, in part: "we in CIA did not find out that our airline had hauled HAWK missiles into Iran until mid-January when we were told by the Iranians." According to Cooper's testimony, North argued that the language should be changed to state unequivocally that "no one in the USG" found out the true cargo of the shipment until mid-January. North also insisted that the HAWK missiles were returned to Iran because the U.S. Government was displeased with the Israeli shipment. North is said to have been the only one in the room to assert personal knowledge on the

topic and no one, including Poindexter, is said to have contradicted his account.

PROFS notes from North to Poindexter, however, show that Poindexter knew that North's statements were not accurate. In a note dated November 20, 1985, North told Poindexter that the "Israelis will deliver 80 mod. HAWKS...at noon on Friday 22 Nov." Poindexter should also have been aware that the shipment was returned not because of U.S. displeasure, but, as North advised Poindexter on December 20, 1985, because Schwimmer and Ledeen agreed to ship weapons "that were totally inadequate to meet the rqmts established by the Iranians."

IV. Conclusion

Poindexter's deposition testimony before the Committee has not been made available to this Office. His public testimony is likely to commence on July 15, 1987.

ASB

THE WHITE HOUSE
WASHINGTON

July 13, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Testimony of LtCol Oliver North
Monday Morning, July 13, 1987

Attached is a summary prepared by Counsel's Office of the testimony of LtCol Oliver North at this morning's session of the Iran/Contra hearings.

Attachment

THE WHITE HOUSE

WASHINGTON

July 13, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.

FROM: WILLIAM B. LYTTON III *u*

SUBJECT: TESTIMONY OF LTCOL NORTH
JULY 13, 1987 (MORNING SESSION)

I. Overview

Senator McClure and Representative Cheney challenged Chairman Inouye's statement on Face the Nation Sunday about a memorandum that supposedly indicates the President was briefed about use of residuals from the Iran arms sales to finance other covert operations (see Section II.A, below).

North testified that he recalled no discussions with the Vice President about proposals for him eventually to meet with a high ranking Iranian official. North said, however, that he thought the Vice President would be an excellent choice for such a meeting, and said he based this belief on the Vice President's bravery in meeting with armed Salvadoran military officials--men who violently opposed U.S. support of Salvadoran moderates--in a 1983 meeting that North attended.

Representative Broomfield and Senator Hatch both stated that they did not want to see North prosecuted based on the information adduced to this point, but both found fault in the use of the NSC to conduct covert operations. Several members recognized the need for an accommodation between secrecy and Congressional consultation in the conduct of covert operations. Broomfield pointed out that the development of the atomic bomb was carried out both in secret and with knowledge of Congressional leaders. He pointed out that President Reagan consulted with Congressional leaders before the U.S. bombing raid on Libya in 1986.

North testified that his first conversation with Casey about the so-called "fall-guy plan" occurred in the early spring of 1984. He also discussed the plan, at times that were not specified, with Poindexter and McFarlane. Although Casey said in the first week of November 1986 that Poindexter might have to be the fall-guy, no one, North said, told Poindexter he was under consideration to be the fall-guy, though North discussed with Poindexter that both men might have to leave their NSC positions.

Senator Trible noted that the operations undertaken through Secord were not subject to the same oversight and accountability as those undertaken by the CIA. North testified that he had no discussions with Casey about how the "off-the-shelf" covert capability would be used after Casey and North had moved on.

II. The President's Involvement

A. Diversion

Representative Cheney stated that he had carefully read the memorandum discussed by Inouye on television Sunday, and that it contained no reference to profits generated by the Iran arms sale, and that the President could have read the memorandum from cover-to-cover without gaining any knowledge of diversion. Senator McClure agreed and stated that Poindexter's briefing would only have made the President aware of diversion if it went beyond the information contained in the memorandum. Chairman Inouye seemed to back off his Sunday statement, and said that Poindexter would have to be questioned about what he told the President. The Chairman stated that he made his statement to let the Administration know that it would need to respond, and that he thought he was being "quite fair" with the Administration by giving it time to do so.

B. Boland Amendment

Nothing to report.

C. Iran Operation

Senator Mitchell spoke extensively about the failure to notify Congress about the Iran initiative. He concluded that--in view of the fact that Israelis, Iranians (in two channels) and even a Saudi Arabian knew about the operation--informing Congress would not significantly increase the chance of a leak and put the operation in greater jeopardy. Mitchell opined that Congress would have advised the President not to proceed if informed at the outset.

Mitchell noted that if (as North testified last week) it was bad to have vacillations in our Nicaragua policy, then it was even worse to pursue simultaneously two different Iran policies--one publicly, the other privately.

D. Third Country Aid to Contras

Nothing to report.

E. Private Support to Contras

North testified that, in his view, the President was not obligated to notify Congress about covert operations funded

by non-appropriated funds, and that the President would be accountable to the people for such actions. Senator Mitchell noted that the President told the Tower Board that he had not known the NSC staff was involved in assisting the Contras. In response, North reiterated that he kept his superiors apprised and that, in fact, the President has stated that he was aware of what was being done and that it was, at least partially, "his idea."

III. Continuation of Hearing

The hearings will resume at 2:00 p.m.

THE WHITE HOUSE

WASHINGTON

July 10, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.

RHETT B. DAWSON

KENNETH M. DUBERSTEIN

M. MARLIN FITZWATER

THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Testimony of LtCol Oliver North
Friday Morning, July 10, 1987

Attached is a summary prepared by Counsel's Office of the testimony of LtCol Oliver North at this morning's session of the Iran/Contra hearings.

Attachment

THE WHITE HOUSE

WASHINGTON

July 10, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR. *W*

FROM: WILLIAM B. LYTTON III

SUBJECT: TESTIMONY OF LTCOL NORTH
JULY 10, 1987 (MORNING SESSION)

I. Overview

There was extensive questioning by Senate Counsel Arthur Liman apparently intended to build a circumstantial case that the President had been informed about the diversion (see Section II.A, below).

North testified that he recognized the need to have a give-and-take with the Iranians, and that the U.S. never had evidence that Iran enjoyed sufficient control over Hezbollah to effect the immediate release of all the U.S. hostages. Liman noted that, in planning for the McFarlane trip, Poindexter insisted that the only acceptable sequence of events was a meeting with McFarlane, release of the hostages and--only then--an arms delivery. North testified that he told Poindexter that this would be the sequence, but realized when he arrived in Tehran that Ghorbanifar had lied to both sides to make the meeting occur. Liman -- perhaps insinuating that North had misled his superiors about the prospects for release of the hostages--pointed out that North knew Ghorbanifar was a liar, but North countered that he had not anticipated the extent to which Ghorbanifar was lying on this occasion. Liman also suggested that North continued to press for arms sales to Iran despite the misgivings of his superiors because of the need to use the proceeds for the Contras.

Liman questioned whether the Iran arms sales degenerated into, or were originally conceived as, arms-for-hostages transactions. North stated that the broader purposes of the sales were articulated to North by Michael Ledeen as early as the summer of 1985, and that the November 1985 Finding unduly minimized those broader purposes.

North again testified that Casey wanted an overseas entity independent of appropriated funds to support U.S. foreign policy objectives. He testified that one such covert project undertaken by this entity--the purchase of a ship for broadcasting into a

foreign country--was not (unlike CIA covert operations) briefed to Congress or covered by a Finding, and North did not know whether the President had been informed about it.

II. The President's Involvement

A. Diversion

North again testified that he recalled no discussion with the President about the use of residuals from the Iran arms sales for the Contras.

North confirmed that an attachment to the April "diversion" memorandum--the "terms of reference" with negotiating instructions for the Tehran trip--was eventually approved by the President. He stated that a memorandum covering the May 1986 transaction and mentioning diversion went up the line with these same "terms of reference" attached. The insinuation was that the President thus may have approved a memorandum that discussed diversion to the Contras.

North testified that, in early discussions with Poindexter about use of the proceeds from the Iran arms sales for the Contras, Poindexter said, "This had better never come out." He testified that Poindexter was ordinarily a cautious man who "played by the book," but that he was willing to take risks. North sometimes showed Casey important memoranda before submitting them to Poindexter. North again testified that Casey did not advise him to delete recommendations that Poindexter brief the President when reviewing memoranda prepared by North which described the diversion.

B. Boland Amendment

Nothing to report

C. Iran Operation

North denied that, despite what he told Hakim, Koch and others, the President said he wanted the hostages out by Christmas, the State of the Union Message or the 1986 elections. North testified that the President's concerns about the hostages were purely humanitarian, and that he was willing to take great political risk in pursuing the Iran initiative.

North said he assumed the President made the decision not to notify Congress under the January 1986 Iran Finding. He was not, however, present when the President made this decision.

D. Third Country Aid to Contras

Nothing to report.

E. Private Support to Contras

Liman read the PROFS note in which North stated that "the President obviously knows why he has been meeting with several select people to thank them for their support." North testified that he did not recall having ever told the President that the people with whom he was meeting were providing money only for advertising.

F. November 1986 Chronologies

Nothing to report.

III. Procedural Matters

Several Republican members criticized committee counsel for monopolizing the questioning. In a separate matter, Chairman Inouye took under advisement a suggestion that North be allowed to present to the committee the 20 minute pro-Contra briefing that North used to present to potential contributors.

IV. Continuation of Hearing

The hearings will resume at 2:00 p.m.

THE WHITE HOUSE

WASHINGTON

July 31, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Testimony of Donald T. Regan and
Caspar Weinberger at the Iran/Contra
Hearings, Friday Morning, July 31, 1987

Attached is a summary prepared by Counsel's Office of the testimony of Donald Regan and Caspar Weinberger at this morning's session of the Iran/Contra hearings.

Attachment

THE WHITE HOUSE
WASHINGTON

July 31, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.
FROM: WILLIAM B. LYTTON III *William B. Lytton*
SUBJECT: TESTIMONY OF DONALD T. REGAN AND
CASPAR WEINBERGER
JULY 31, 1987 (Morning Session)

I. Overview

Regan testified that in December 1986, the President emphatically rejected the idea of granting pardons to Poindexter and North, on the grounds that it was premature to consider a pardon when there was, as yet, no evidence that a crime had been committed.

Senator Nunn attacked the President's position at the November 10, 1986 meeting that Iran was at a disadvantage in the war, pointing out that that official U.S. policy at the time was that Iraq was the weaker party. Regan was hesitant to comment, citing security reasons, and suggested Weinberger be asked the question.

Regan testified that White House Counsel Peter Wallison had expressed displeasure at "being cut out" of the process in November 1986. Regan then urged Poindexter to include Wallison in all meetings, but Poindexter refused, saying that the meetings did not involve legal issues. In response to Senator Sarbanes' characterization that Poindexter and his associates had created a "junta" within the White House, Regan reiterated his position that the danger of a "coup" can be avoided if the White House legal counsel "guides policy" and if the NSC is not an operational organization.

Secretary of Defense Caspar Weinberger appeared as a strong and consistent opponent of the Iran initiative who, after his arguments lost, was kept in the dark about many of the details of the operation. Weinberger was shown the memorandum written by Admiral Poindexter to the President on January 17, 1986, forwarding the January 17 Finding, which said in part that the Israelis were very concerned about Iran's deteriorating position

in the Iran-Iraq war. Weinberger said he would have disagreed with that statement, that that was not DOD's opinion about the progress of the war, and that he had not been consulted on that point. Weinberger's testimony reinforces Secretary Shultz' allegation that the President was presented with intelligence that had been skewed to support the Iran initiative.

II. The President's Knowledge

A. Diversion

Nothing to report.

B. Boland Amendment

Nothing to report.

C. Iran Operations

Weinberger attended a meeting in early August, 1985 in the upstairs residence. The meeting was to discuss a proposed shift in U.S. policy in favor of Iran, as set forth in a draft NSDD. The sale of selected arms to Iran was one element in the proposed policy. Weinberger and Shultz opposed this plan, while McFarlane was in favor of it. Weinberger recalled no discussion of the role of Israel in these plans. Weinberger at the close of the meeting thought the President's views were "congruent" with his own.

In the Fall of 1985, Weinberger received intelligence reports which made references to negotiations between "high U.S. officials" and Iranians regarding weapons sales. Weinberger was surprised by this, and pressed for a meeting to discuss it. The meeting of December 7, 1985, followed.

Weinberger had no contemporaneous knowledge of the shipment of HAWKS by Israel in November 1985.

At the December 7 meeting, Weinberger argued "in every way [that the Iran initiative] was a policy we should not engage in." Weinberger's impression was that the President had decided not to do it. He thought this "baby had been strangled in its cradle." Weinberger did not remember any discussion of the November HAWK shipment or the December 5 Finding at this meeting. Weinberger also did not remember any discussion on December 7 of McFarlane's upcoming trip to London to meet Ghorbanifar.

Weinberger described the meeting on January 7, 1986 as a "replay" of the December 7 meeting. The President's views, however, had changed. The President this time favored the plan. The Attorney General stated that the President was on sound legal ground, citing the prior ruling by William French Smith and the President's own inherent powers.

In a series of Profs note exchanges between January 7-17, North and Poindexter noted that Weinberger was continuing to voice objections to the initiative. It was on January 17, however, that Poindexter called Weinberger to advise him that the President had rendered his decision to proceed, and the issues were no longer open for discussion.

Weinberger attended the meeting of November 10, 1986, during which Poindexter briefed the President's principal advisors on the Iranian initiative. Weinberger recalled that the President was concerned that exposure of the operation would endanger the lives of the hostages and the Iranian contacts. Weinberger once again expressed his concern that the U.S. could be blackmailed by selective exposure of parts of the operation.

D. Third Country Aid to Contras

Weinberger does not recall knowing of contributions to the Contras by "country number 2." Weinberger was shown a memorandum for the record written by Deputy Director of the CIA McMahon on March 15, 1985. That exhibit recorded a conversation in which Director Casey told Weinberger that "country number 2" was going to contribute \$25 million to the Contras in \$5 million increments. Weinberger does not remember that conversation.

E. Private Support to Contras

Nothing to report.

F. November 1986 Chronologies

Nothing to report.

III. Continuation of Hearing

Weinberger will resume testifying at 2:00 p.m.

THE WHITE HOUSE
WASHINGTON

July 30, 1987

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MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJ/FCT: Testimony of Donald T. Regan
Thursday Morning, July 30, 1987

Attached is a summary prepared by Counsel's Office of the testimony of Donald T. Regan at this morning's session of the Tran/Contra hearings.

Attachment

~~TOP SECRET~~

THE WHITE HOUSE
WASHINGTON

July 30, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.
FROM: WILLIAM B. LYTTON III *William B. Lytton*
SUBJECT: TESTIMONY OF DONALD T. REGAN
JULY 30, 1987 (MORNING SESSION)

I. Overview

Regan testified that, as the President's Chief of Staff, he did control White House staff members' access to the President, but that the National Security Advisor, the Vice President, and the Secretary of State also enjoyed direct access. During the 9:30 briefings, the National Security Advisor would provide the President and Regan with briefing books. Regan did not have access to the President's book prior to its presentation to the President and testified that on occasion the NSC staff would insert material without his knowledge. (U)

According to Regan, Poindexter's briefings to the President regarding the Contras were general and did not include specifics about who was running the operations. Regarding McDaniel's notes that in March 1986, the Contras had 60 days, and by June only 30 days of supplies remaining, Regan explained that the discussion reflected the urgent need for prompt legislative action to restore funding to the Contras. (U)

Regan testified that the President did not know in advance of the September 1985 Israeli shipment of TOWs to Iran. According to Regan, the President felt that "his hand was being forced" regarding replenishment, but made no commitment. (U)

Prior to October 1986, Regan had no knowledge that the President had signed any of the Findings related to the Iran arms sales. Regan never saw and had no knowledge of the December 5, 1985 Finding. He claims that the January 6, 1986 Finding was not in final form and was apparently signed by mistake. The President was orally briefed regarding a Finding on January 17, 1986, but Regan did not recall the President signing it. (U)

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At the November 10, 1986 meeting, Regan urged the President to "go public" with the Iran arms sales story, but was opposed by Poindexter who voiced concern about the hostages. (U)

On November 24, 1986, Regan met with Casey and told him of the diversion. Regan testified that Casey seemed surprised, although Senator Cohen read Regan's deposition that said that Casey did not appear surprised. (U)

The following day, Regan met with Poindexter and urged him to resign after Poindexter admitted that he had failed to properly supervise North's actions. (U)

II. The President's Knowledge

A. Diversion

Regan testified that the President knew nothing of the diversion and was completely surprised when he was told by Meese. (U)

B. Boland Amendment

Nothing to report.

C. Iran Operations

Regan testified that the main objective of the Iran initiative was to open "a dialogue" with Iran. In the December 7, 1985 meeting, Regan advocated "cutting losses" and aborting the initiative. In January 1986, Regan changed his position based on Poindexter's enthusiasm regarding the new channel. (U)

Regan described the August 1986 shipments as a "bait and switch" on the part of the Iranians. The President's feeling was that you sometimes have to deal with "unsavory characters." The President would never have approved the Da'Wa prisoner plan and never discussed an overthrow of the Iraqi government. (U)

D. Third Country Aid to Contras

The President was aware of the efforts by the State Department to solicit funds, but was not informed of the specific countries involved or the amounts contributed. Regan did not know of the Saudi contributions or contributions of other countries that were arranged by North. (TS)

E. Private Support to Contras

The President generally knew of the private benefactors, including the medevac helicopter donated by Ms. Garwood, but he

was not aware of specific donations being used for lethal purposes. (U)

F. November 1986 Chronologies

Regan obtained a chronology from Poindexter on November 20, 1986. Regan told the President that something was seriously wrong with the chronology and that he should order the NSC to correct it. (U)

III. Continuation of Hearing

Regan will resume testifying at 2:00 p.m.

87-TF-0105

THE WHITE HOUSE
WASHINGTON

July 29, 1987

MEMORANDUM FOR HOWARD H. BAKER, JR.
RHETT B. DAWSON
KENNETH M. DUBERSTEIN
M. MARLIN FITZWATER
THOMAS C. GRISCOM

FROM: ARTHUR B. CULVAHOUSE, JR. *AB*
COUNSEL TO THE PRESIDENT

SUBJECT: Anticipated Testimony of Donald T. Regan
at the Iran/Contra Hearings

Attached is a summary prepared by Counsel's Office of the anticipated testimony of Donald T. Regan at the Iran/Contra hearings.

Attachment

THE WHITE HOUSE
WASHINGTON

July 28, 1987

MEMORANDUM FOR ARTHUR B. CULVAHOUSE, JR.
FROM: WILLIAM B. LYTTON III *William B. Lytton*
SUBJECT: ANTICIPATED TESTIMONY OF DONALD T. REGAN

BACKGROUND

Donald Regan was appointed as the President's Chief of Staff on January 8, 1985. His resignation on February 27, 1987, came amid widespread reports that his management policies at the White House had worsened, if not indirectly caused, the Iran-Contra affair. Prior to his appointment as Chief of Staff, Regan served for four years as Secretary of the Treasury. (U)

Regan has consistently maintained that neither he nor the President were aware of the diversion of arms sales' profits to the Nicaraguan resistance forces or of the private lethal aid donations to the Contras. Although Regan admits to fostering a reputation as a Chief of Staff who "controlled everything in the White House," he has testified that he knew nothing of the details of the Iran or Contra operations and that the National Security Advisor had direct access to the President. Regan's Testimony Before the Senate Select Committee on Intelligence, December 16, 1986, 93-95). (U)

1. The August 1985 Arms Sale.

Regan is expected to maintain his position, despite conflicting testimony by McFarlane, that the President did not grant advance approval for the August arms shipment by Israel to Iran and the President "was upset" to learn in September 1985 that the sale had occurred. (Special Review Board Interview of Regan, January 7, 1987, 7-9). (U)

2. The December 5, 1985 Finding.

A December 7, 1985 memorandum for the record by DDCI John McMahon (Bates No. 9002), states that the CIA had submitted a draft Finding in November 1985 and that Casey spoke to Regan and McFarlane to determine if the Finding met with Presidential approval. According to Poindexter, this Finding expressly

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provided for an arms-for-hostages swap. Poindexter claimed, however, that the Finding "did not in any way present a total, accurate description of what Mr. McFarlane had in mind, what I had in mind or what the President had in mind" since it failed to state the strategic interests which the arms transfer sought to advance. (Poindexter, July 15, 1987, 52-53). (S)

3. The Diversion Memos.

The Committee is expected to question Regan as to his knowledge of the April 1986 diversion memorandum, and also as to the diversion memos that North alleges he created and destroyed. Regan will no doubt repeat his testimony that he did not learn of the April diversion memo until November 1986, and that he is sure that the President had no knowledge of any diversion or proposals of diversion. (Regan's Testimony Before the Senate Select Committee on Intelligence, December 16, 1986, 66-73). (U)

4. The May 16, 1986 National Security Planning Group (NSPG) meeting.

The Committee may question Regan on his role as a participant in the May 16, 1986 NSPG meeting, which involved a lengthy discussion of potential third-country support for the Contras by the Saudis, Israelis, South Koreans or Taiwanese. In his March 3, 1987 deposition, Regan recanted his earlier testimony before the SSCI that he knew in 1985 or 1986 that the Saudis were providing humanitarian assistance. Regan claimed that to his knowledge, the President never expressed a view on seeking third-country aid and that he could not recall any discussion in 1985 or 1986 as to whether the Administration was free to seek third-country military aid. (Regan's Deposition by the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, March 3, 1987, 44-45). (S)

5. November 1986 Actions.

Regan is expected to receive close questioning on the White House actions following disclosure of the Iran-Contra affair; specifically his involvement in the decision to fire North yet accept Poindexter's resignation, his knowledge of the false chronologies, and his participation in any other activities designed to provide "damage control." These questions should encompass the steps that led to Regan's resignation in February 1987. (U)